

Celsius Network's handling of unregistered securities offerings as ordered by the States of Texas, New Jersey, Kentucky and Alabama

July 25, 2022

Dear Honorable Judge Martin Glenn:

The states of Texas, New Jersey, Kentucky and Alabama all found Celsius Network of offering residents unregistered securities. As part of their Cease-and-Desist orders Celsius Network was ordered to stop offering their "Earn Account" to residents of those states. Celsius Network took action and created the "Custody Account" which was supposed to be a product that contained no unregistered securities. Effective April 15th, 2022 assets in the Custody Account could be transferred, swapped or used as loan collateral, but they don't earn rewards. Celsius Network also limited the access to the Earn Account for the states above to "Accredited Investors" only.

Per Celsius Custody FAQ:

How will this change affect US-based Accredited Investors?

Accredited Investors will continue to earn rewards through their Earn account as they always have.

As with US-based non-accredited investors, their Celsius accounts will be divided into Custody and Earn accounts.

Unlike US-based non-accredited investors, US-based Accredited Investors may freely move their coins between their Custody and Earn accounts. They will be able to add coins to their Earn account if they wish.

Only coins in the Custody account can be used with other Celsius products such as Swap and Loans. As always, the availability of these features is still determined by your current location.

Per Celsius Accredited Investor FAQ:

What does it mean to be an accredited investor?

Under the federal securities laws, only people who are [accredited investors](#) may participate in certain securities offerings. These offerings are limited to accredited investors to ensure that participating investors are financially proficient and able to withstand a significant loss of funds. People who qualify as accredited investors are not considered to need the protections provided by registered securities. For more information about the risks involved, see our [Risk Disclosure](#). You should always make sure you understand and can afford to take the risk involved, before making any financial decision.

After April 15th, when the Custody solution was effective this left many unaccredited investors residing in the states above with assets in Earn Accounts. Celsius Network made no effort to get these

unaccredited investors accredited or move them to the Custody solution. Per Celsius Network's own FAQ unaccredited investors do not demonstrate the financial proficiency and cannot withstand a significant loss of funds – so why did Celsius Network leave these unaccredited investors in Earn Accounts?

I believe Celsius Network did not carry out the orders of Texas, New Jersey, Kentucky and Alabama to the fullest extent which was to stop offering unregistered securities to unaccredited investors and to protect unaccredited investors who were already participating in the Earn Account (which consisted of unregistered securities).

I believe unaccredited investors in Texas, New Jersey, Kentucky and Alabama having an Earn Account should be reclassified as Custodial Account investors for purposes of bankruptcy proceedings.

Sincerely,

Richard Oswald

Links to Texas, New Jersey, Kentucky & Alabama orders:

https://www.ssb.texas.gov/sites/default/files/2021-09/20210917_FINAL_Celsius_NOH_js_signed.pdf

<https://www.nj.gov/oag/newsreleases21/Celsius-Order-9.17.21.pdf>

<https://kfi.ky.gov/Documents/Celsius%20Network%20LLC%202021AH00024.pdf>

<https://asc.alabama.gov/Orders/2021/SC-2021-0012.pdf>